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P 091310Z JAN 07  
FM AMEMBASSY DUSHANBE  
TO RUEHC/SECSTATE WASHDC PRIORITY 9367  
INFO RUEAIIA/CIA WASHDC  
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RUEHDBU/AMEMBASSY DUSHANBE PRIORITY 0921  
RHEHAAA/NSC WASHINGTON DC  
RUCPDOG/USDOC WASHDC PRIORITY 0114  
RUEAUSA/AMEMBASSY NETHERLANDS PRIORITY  
RUEHBUL/AMEMBASSY KABUL PRIORITY 1931  
RUEHIL/AMEMBASSY ISLAMABAD 1969  
RUEHNE/AMEMBASSY NEW DELHI 1955

UNCLAS SECTION 01 OF 02 DUSHANBE 000045

SIPDIS

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TAGS: [ECON](#) [EINV](#) [EFIN](#) [EAID](#) [PGOV](#) [TIUZ](#)

SUBJECT: IT'S ONLY NATURAL - TAJIKISTAN AND UZBEKISTAN AGREE ON GAS  
TRADE

REF: 06 DUSHANBE 1846

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11. (U) Summary. On December 27, 2006, Tajikistan and Uzbekistan reached lopsided agreements on trade of natural gas and electricity. While the electricity swapping arrangement favoring Uzbekistan will continue, the new natural gas agreement nearly doubles the price of gas paid by Tajikistan. Unable to measure consumer use and collect payments, Tajik Gas is installing gas meters around the country. Many Tajiks receive only two hours of gas a day, and in outlying regions have received none in over a month. The government intends to partially subsidize increased energy costs in 2007, but poor Tajiks await a frosty year. End summary.

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If This is the Good News~  
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12. (U) On December 27, 2006, Uzbekistan agreed to deliver 600 million kilowatt-hours of electricity from January to March to Tajikistan. In payment, Tajikistan will supply 900 million kilowatt-hours next summer to Uzbekistan. In effect, Uzbekistan receives \$0.015 per kilowatt-hour, while Tajikistan receives \$0.010 per kilowatt-hour for its electricity, the same rates as in 2006. With its hydropower plants producing surplus energy during the summer and deficits in the winter, and absent transmission lines to Afghanistan, Tajikistan has no alternative to selling its electricity at a lesser price to Uzbekistan.

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The Bad News  
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13. (SBU) On the same day, the Uzbek state gas company, Uztransgaz, agreed to supply 700 million cubic meters of natural gas to Tajikistan at \$100 per 1,000 cubic meters in 2007, a \$45 increase over the previous year. This price increase mirrors new Uzbek agreements with Kyrgyzstan and Kazakhstan. According to First Deputy Director of Tajik Gas Shavkat Shoimov, Tajik Gas plans on charging end consumers \$130-\$140 per 1,000 cubic meters. This price increase will hit Tajik consumers hard. If poor consumers in rural areas are unable to pay their increased bills, Tajik Gas might cut them off from the already-minimal flow. Response to the increase has been muted, as Tajik consumers in rural areas have yet to hear about the new prices.

¶4. (SBU) Shoimov told EmbOffs January 4 that the price increase will make it even more difficult for Tajik Gas to collect on bills. In 2006, the overall collection rate in Tajikistan was 70%, while the rate in Dushanbe was 50%, due to the difficulty in shutting off power to individuals within blocs of non-payers in the capital. Outside the capital, Tajik Gas takes a blanket approach and simply cuts off gas to entire rural districts for non-payment, leaving large portions of the country without gas but improving Tajik Gas's collection rate.

¶5. (SBU) Tajikistan's major industrial natural gas consumers previously received generous pricing and will face hefty rate hikes, perhaps paying the same rate as other consumers, according to Shoimov. The Dushanbe Power Heating Station, the Tajik aluminum plant (TadAZ), VATZ Chemical Plant, and Tajik Cement in Dushanbe, all rely heavily on gas for their operations. The VATZ plant near Kurgan-tube is the largest user of natural gas in Tajikistan, creating fertilizer for domestic use and export (reftel). With input costs as much as doubling, the company will struggle to compete with foreign competitors that receive natural gas more cheaply, including a soon-to-be-completed fertilizer plant in Turkmenistan.

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The Forecast: Sunny but Cold  
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¶6. (U) The World Bank's Energy Loss Reduction Project is providing \$1.5 million to help reduce the commercial losses in the gas system and improve the financial viability of the utility. The project will supply and install gas meters, revamp the financial and billing systems, and help establish an industry-standard gas agreement with Uzbekistan. Tajik Gas is seeking additional loan funds from the World Bank to computerize its aging gas distribution network. The company has finished installing gas meters covering 70% of Tajik territory, and plans on completing nationwide installation by June 2007.

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¶7. (SBU) Until Tajik Gas improves its collection rate, it will continue to struggle with its finances. In 2006, Tajik Gas received 620 million cubic meters of gas, paying for 90% of it. In September 2006, Uztransgaz cut off natural gas to Tajikistan due to \$4.5 million payment arrears. According to Shoimov, Tajik Gas took out a \$1.5 million loan from Orien Bank at 20% interest to pay their debt in part to the Uzbeks, but has yet to begin repayment to the bank. (Note: Orien Bank is owned by the "First Brother-in-Law" of President Rahmonov, Hasan Sadulloev. This helps explain why a state-owned utility would borrow from a private bank at such an exorbitant rate. End note.) In 2006, the Tajik government subsidized vulnerable populations with a 10 million Somoni subsidy (\$3.4 million), and the 2007 budget includes increased energy subsidies. However, with the massive rate increases, it is likely that rural Tajiks will remain gasless.  
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